S/S 8124531

UNDER SECRETARY OF STATE
FOR ECONOMIC AFFAIRS
WASHINGTON

'81 SEP 16 P8:00

COPIES:
)
>
EB
S/P
EUR
S/S
EMB
RF:vhd
VHD

September 16, 1981

Dear Mr. McGuire:

This is in response to your letter of August 12 to Secretary Haig concerning export sales of U.S. dairy products. Dairy exports raise problems which do not arise with other commodities because dairy exports must be subsidized.

The Commodity Credit Corporation acquired its current large stock of surplus dairy products through its purchases under the federal dairy price support program. The prices which the the CCC has paid for dairy products have been well above the prevailing world market prices. The average acquisition cost of the butter in the CCC stocks, for example, is about $1.42 per pound, compared with a current world market price for fresh butter of about $1.00 per pound. U.S. butter is also manufactured to standards which are somewhat different from those normally used in the international butter market (e.g. U.S. butter is salted). Thus, to be competitive on world markets U.S dairy products would have to be heavily subsidized.

This Administration opposes subsidizing exports in general. As the world's largest agricultural exporter we have a major stake in minimizing the use of agricultural export subsidies. Thus, in disposing of part of our surplus dairy stock the Administration sought to minimize the disruption of the international butter market. The sale to New Zealand helps reduce our stocks without setting a precedent which might damage our trade in other, unsubsidized agricultural products.

As far as the Soviet Union is concerned, this Administration is opposed to all subsidies in trade with the USSR. Most U.S. agricultural products are not subsidized and thus there is no obstacle to their export to any commercial destination, including the USSR.

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY [illegible] DATE 4/4/84
RDS ☐ or XDS ☐ EXT. DATE _____
TS AUTH. _____ REASON(S) _____
ENDORSE EXISTING MARKINGS
DECLASSIFIED ☐ RELEASABLE ☑
RELEASE DENIED ☐
PA or FOI EXEMPTIONS

Sincerely,

Myer Rashish

Mr. Richard McGuire, President,
New York Farm Bureau,
Route 9W,
Glenmont, New York.